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STATE OF ALASKA

THE REGULATORY COMMISSION OF ALASKA

Before Commissioners:

Kate Giard, Chair
Dave Harbour
Mark K. Johnson
Anthony A. Price
Janis W. Wilson

In the Matter of the Consideration of Adoption of
Regulations to Implement Amendments to the Public
Utilities Regulatory Policies Act of 1978 by the
Energy Policy Act of 2005

Docket No. R-06-5

**GOLDEN VALLEY ELECTRIC ASSOCIATION, INC.'S
REPLY COMMENTS**

Golden Valley Electric Association, Inc. ("GVEA"), respectfully files with the
Regulatory Commission of Alaska ("Commission") these reply comments ("Reply
Comments") in the above-captioned matter.

I. INTRODUCTION

GVEA is an electric cooperative consisting of member-consumers who are both
the customers and owners of the utility. GVEA management works to provide adequate
supplies of reliable energy at the least cost for its member-consumers. GVEA also works
to maintain diverse fuel sources and is the most fuel-diverse electric utility in Alaska.
GVEA currently receives or generates energy from various types of resources, including
coal, oil, diesel, hydro, and natural gas.

GVEA generally concurs with the comments filed by Alaska Power Association,
Chugach Electric Association, Inc., and the Municipality of Anchorage d/b/a Municipal
Light & Power. GVEA agrees with those commenters that it is inappropriate to adopt the

1 five standards from the Energy Policy Act of 2005 in Alaska at this time, with the
2 possible exception of interconnection standards.

3 In these Reply Comments, GVEA will respond to the comments on net metering
4 that were filed by the New York organization, Network for New Energy Choices
5 (“NNEC”), and Mr. Peter McKay, an individual receiving service from Homer Electric
6 Association, Inc. Promoting the use of renewable generation¹ is a worthy goal and one
7 that GVEA has been actively working toward, as is described below in the discussion of
8 GVEA’s Sustainable Natural Alternative Power Program (“SNAP Program”). This goal
9 can be achieved, however, without unfairly subsidizing certain member-consumers at the
10 expense of the other member-consumers, as is the case under the net metering system..

11 II. DISCUSSION

12 A. Net Metering

13 As a cooperative, GVEA’s goal is to provide reliable power to its member-
14 consumers for the lowest cost it can. Net metering undermines this goal because it
15 requires the utility to pay to an individual generator an amount greater than the value of
16 the energy generated by the individual generator. Net metering statutes generally provide
17 that the individual generator must have a meter that rolls forward when it is taking energy
18 from the utility’s system and backwards when it is providing energy to the utility’s
19 system. This arrangement causes the utility to pay the individual generator the retail rate
20 for its power. However, the power generated by individual generators is of low value
21 because it is generally intermittent and expensive to integrate into the utility system. It is
22 therefore worth much less to the utility than the retail cost that the utility pays. Under the
23 net metering system, the other member-consumers pay too much for their power while a
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26 ¹ Although net metering is not necessarily limited to renewable resources, GVEA understands the
development of renewable resources to be the primary goal of proponents of net metering.

1 small minority of individual generators reap a benefit out of proportion from what they
2 provide the utility (known as cross-subsidization).

3 In addition, simply rolling an individual generator's meter backwards to reflect
4 energy generated by the individual generator causes the individual generator to under-pay
5 fixed costs, such as costs for maintenance of transmission lines, capital projects, system
6 stabilization, and administration of the utility system. The result is that, the other
7 member-consumers end up over-paying for their share of these fixed costs.

8 As a result of these problems, net metering results in a subsidy for a choice made
9 by an individual generator and is not the most equitable result for the utility and its
10 member-consumers. Forcing other member-consumers to pay extra amounts for the
11 energy produced from an individual generator is not in the public interest. This is
12 especially true because the subsidy will be regressive: the member-consumers who can
13 afford to develop their own generation, such as large industrial member-consumers, will
14 in most cases be shifting the costs to member-consumers who do not have such funds
15 available, such as residential member-consumers.

16 In addition to enacting an unfair cross-subsidization of GVEA's member-
17 consumers, net metering encourages the development of generation projects that would
18 not be economically feasible without the unfair subsidization. Such a system potentially
19 diverts funds from economical generation projects and causes individual generators to
20 rely on an unfair and uneconomical pricing system for the sustainability of their
21 generation projects.

22 NNEC claims that renewable energy systems actually generate excess electricity
23 and sell power to the system during peak demand periods, undermining the utilities'
24 concern about subsidization of individual generators. NNEC is most likely overstating
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1 this conclusion² and, even if true in other contexts, this conclusion must be considered in
2 light of issues specific to Alaska. In particular, the studies NNEC cites showing that solar
3 systems contribute power during on-peak periods would likely be irrelevant to solar
4 generation in Alaska. In addition, Alaska experiences smaller fluctuations in demand
5 over the course of the day than other regions may, reducing the likelihood that an
6 individual generator will regularly sell more power to the system when power is
7 expensive and take power from the system when it is less expensive. Finally, even if
8 NNEC's argument is accurate, it does not account for the fact that individual generators
9 will not pay their share of fixed costs under a net metering system.

10 **B. Alternatives to Net Metering**

11 One of GVEA's goals is to develop clean, renewable power for its member-
12 consumers. To that end, GVEA has initiated a program that works toward the goal of
13 fostering the development of renewable power while avoiding the cross-subsidization
14 problem inherent in net metering. GVEA's Commission-approved SNAP Program
15 matches individual member-consumers who want to develop renewable generation with
16 member-consumers who want to promote the development of renewable generation in
17 GVEA's service territory. Under this program, the SNAP generator receives GVEA's
18 non-firm avoided cost rate for all energy delivered to GVEA. Paying avoided cost rates
19 rather than retail rates to the SNAP generators avoids the cross-subsidization problem but
20 allows the SNAP generator to receive a fair price for its power. In addition, the SNAP
21 generators also share in funds that are voluntarily donated by GVEA member-consumers
22 up to a maximum of \$1.50 per kilowatt hour per year. This additional amount is an added
23 incentive to member-consumers who are considering becoming SNAP generators, but
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26 ² For example, there is also evidence that on hot days when power demand is at its highest, wind generation
is low during the day and picks up again when the temperature cools at night and demand is lower.

1 does not force all member-consumers to subsidize a particular member-consumer's
2 decision to develop renewable generation.

3 The program has been well-received by GVEA's member-consumers and there
4 are currently two SNAP generators (one wind generator and one solar generator) working
5 through the program requirements. Approximately 350 member-consumers per year
6 voluntarily contribute funds to the program, and GVEA expects the number of SNAP
7 generators and participating member-consumers to increase in the future. GVEA believes
8 that the SNAP Program successfully offers its member-consumers the opportunity to
9 develop and support renewable generation without disadvantaging other member-
10 consumers.

11 III. CONCLUSION

12 The Commission is required to protect consumer interests and promote economic
13 development by ensuring affordable, reliable utility service and infrastructure. Requiring
14 a utility to pay for energy from generators at prices higher than the actual value of the
15 commodity forces consumers to pay unwarranted subsidies and encourages the
16 development of uneconomic generation resources. The Commission can support the
17 development of renewable generation using alternative methods such as, for example,
18 encouraging utilities to consider implementing a program similar to the SNAP Program.
19 The drawbacks of net metering, however, outweigh any benefit it provides to the
20 development of renewable generation and should not be implemented in Alaska.

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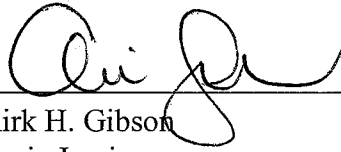
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1 DATED this 22nd day of November, 2006.

2 Respectfully submitted,

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